SaskTel

Financial Statements of

DIRECTWEST CORPORATION

December 31, 2008

DirectWest Corporation (DirectWest)
www.directwest.com

DirectWest, a wholly-owned subsidiary of SaskTel, has been publishing telephone directories in Saskatchewan since 1909. DirectWest publishes and distributes 10 telephone directories across Saskatchewan, and provides these directories online at www.sasktelphonebook.com and www.mysask.com. In addition to consistently generating value through print and online directories, the company continues to add new services and solutions for their customers including online advertising and mobile phonebooks for cell phones. DirectWest's head office is in Regina, with a second office in Saskatoon. The company employs 166 people across Canada including 108 in Saskatchewan.

President's Message

DirectWest's focus is to be the leader in bringing buyers and sellers together through both print and online advertising mediums. 2008 was a year of continued growth for DirectWest with revenues from continuing operations increasing 4.9% to $41.9M.

The Canadian directory publishing sector continued to change and grow in 2008. Independent publishers across the country continued to expand into new markets with directory start-ups and enhanced online product offerings. In Saskatchewan, DirectWest's market share in 2008 exceeded 98%. DirectWest also met or exceeded all targets for directory quality and customer performance measurements. Internet traffic continued to grow with the www.mysask.com internet portal and the www.sasktelphonebook.com utility setting new usage records.

During the fourth quarter of 2008, the Corporation approved a plan whereby the operations of DirectWest's wholly owned subsidiary, DirectWest Canada, Inc., will be divested and the criteria for classification as a discontinued operation have been met. The financial statements have been prepared on that basis.

Looking forward, the directory business in Canada continues to grow and is expected to become increasingly competitive. Although the incumbent Saskatchewan directory business is relatively mature, DirectWest will focus on maintaining its leadership position and expects to achieve modest growth in this area despite competition. Technology will also play an increasingly important role, providing growth opportunities for DirectWest as well as additional avenues of competition. In 2009, DirectWest will continue to identify and pursue growth opportunities to generate additional sources of revenue.

In closing, I would like to thank our customers and dedicated employees for providing us the strong position from which we anticipate to continue our growth and success in 2009.

Gord Farmer
President, DirectWest

KPMG

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AUDITORS' REPORT

To The Member's of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of DirectWest Corporation as at December 31, 2008 and the consolidated statements of operations and comprehensive income, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
January 30, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Consolidated Statement of Operations and Comprehensive Income

For the year ended December 31, (Thousands of dollars)	2008	2007
Gross revenue	$41,851	$39,900
Cost of sales	7,678	7,383
Gross profit	34,173	32,517
Operating expenses	29,449	28,029
Depreciation and amortization	407	607
	29,856	28,636
Income from operations	4,317	3,881
Interest income	103	63
Interest costs	(118)	(118)
Income from continuing operations	4,302	3,826
Loss from discontinued operations (Note 5)	(2,080)	(3,284)
Net income	2,222	542
Other comprehensive income	-	-
Comprehensive income	$2,222	$542

See accompanying notes

Consolidated Statement of Deficit

For the year ended December 31, (Thousands of dollars)	2008	2007
Deficit, beginning of year	$(202)	$(744)
Net income	2,222	542
	2,020	(202)
Dividends	(3,000)	-
Deficit, end of year	$(980)	$(202)

See accompanying notes

DirectWest Corporation

Consolidated Statement of Financial Position

As at December 31, (Thousands of dollars)	2008	2007
Assets		
Current assets		
Cash and short-term investments (Note 6)	**$5,418**	$4,176
Accounts receivable (Note 12a)	**2,638**	2,418
Inventory	**193**	283
Prepaid publishing costs	**5,834**	5,873
Prepaid expenses	**126**	51
Current assets of discontinued operations (Note 5)	**6,617**	5,382
	20,826	18,183
Property, plant and equipment (Note7)	**764**	930
Goodwill	**232**	232
Long-term assets of discontinued operations (Note 5)	**1,366**	1,629
	$23,188	$20,974
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 12a)	**$1,240**	$1,388
Dividends payable	**3,000**	-
Deferred revenue	**3,187**	3,160
Current liabilities of discontinued operations (Note 5)	**2,436**	2,323
	9,863	6,871
Long-term debt (Note 8)	**4,868**	4,868
	14,731	11,739
Shareholder's equity		
Share capital and contributed surplus (Note 9)	**9,437**	9,437
Deficit	**(980)**	(202)
	8,457	9,235
	$23,188	$20,974

See accompanying notes

On behalf of the Board:

Robert Watson

Mike Anderson

Consolidated Statement of Cash Flows

For the year ended December 31, (Thousands of dollars)	2008	2007
Operating activities		
Income from continuing operations	$4,302	$3,826
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	407	607
Other	-	3
Net change in non-cash working capital (Note 12b)	(225)	600
Cash provided by operating activities	4,484	5,036
Investing activities		
Property, plant and equipment expenditures	(242)	(766)
Cash used in investing activities	(242)	(766)
Financing activities		
Proceeds of long-term debt	-	4,868
Cash provided by financing	-	4,868
Increase in cash from continuing operations	4,242	9,138
Decrease in cash from discontinued operations (Note 5)	(2,618)	(5,073)
Cash and cash equivalents, beginning of year	4,928	863
Cash and cash equivalents, end of year	$6,552	$4,928
Comprised of:		
Bank indebtedness from continuing operations	$(185)	$(219)
Short-term investments from continuing operations	5,603	4,395
Cash and cash equivalents from continuing operations	5,418	4,176
Cash from discontinued operations	1,134	752
	$6,552	$4,928

See accompanying notes

Notes to the Consolidated Financial Statements

Note 1 – The Corporation

DirectWest Corporation (the Corporation) is incorporated under the Canada Business Corporations Act and is wholly owned by Saskatchewan Telecommunications Holding Corporation (Holdco) through its subsidiary SaskTel Investments Inc. The Corporation markets and supplies print and on-line telephone directories, internet advertising, marketing and business solutions in Saskatchewan and certain locations in Alberta and Manitoba. The Corporation also markets and supplies specialty publications throughout Canada.

The financial results are included in the consolidated financial statements of Holdco, a Saskatchewan Provincial Crown corporation. By virtue of its ownership structure, the Corporation is not subject to Federal or Provincial income taxes in Canada.

Note 2 – Change in accounting policies

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for inventories (CICA Handbook 3031). The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. There is no material impact on the Corporation's operating results as a result of implementing the new recommendations.

Note 3 – Significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Subsidiaries

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary DirectWest Canada, Inc. with all significant intercompany transactions and balances being eliminated.

Qu'Appelle Holding, Inc. is a non-operating subsidiary of the Corporation.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Cash and short-term investments

Cash and short-term investments represent interest bearing investments with Holdco and financial institutions that are due on demand and are stated at fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Prepaid publishing costs

The Corporation defers expenses that are directly related to its publications, including printing and distribution costs, direct production salaries and salaries of sales staff. These costs are charged to income over the life of the related publication. Indirect costs are expensed as incurred. The Corporation assesses recoverability of these costs with reference to expected future revenues from the sale of the related directories, those costs not considered recoverable are charged to income.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets.

Asset	Estimated useful life
Office furniture, equipment and leaseholds	2-10 years

Assets held for sale and discontinued operations

Long lived assets are classified as held for sale when certain criteria are met, which include: the Corporation's commitment to a plan to sell the assets; the assets are available for immediate sale in their present condition; an active program to locate buyers and other actions to sell the assets have been initiated; the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; the assets are being actively marketed at reasonable prices in relation to their fair value; and it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

The Corporation measures assets held for sale at the lower of carrying amount or fair value less cost to sell. These assets are not depreciated or amortized.

A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of a disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Finite-life intangible assets

Finite-life intangible assets acquired in a business combination are recorded at their fair values. Amortization is calculated over the estimated useful lives of the assets.

Asset	Estimated useful life
Non-competition agreement	6 years
Customer list and relationships	10 years
Creative value of directories	3 years

Finite-life intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. They are written down to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value.

Indefinite-life intangible assets

Intangible assets with an indefinite life are not subject to amortization; they are tested annually for impairment to ensure that their fair value is greater than or equal to their carrying value. Any excess of carrying value over fair value is charged to income in the period in which impairment is determined.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and comprehensive income.

Revenue recognition

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line advertising and advertising in specialty publications. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed up front for directory advertising are deferred and recognized over the corresponding life of the related directory.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

Financial instruments

Upon initial recognition, financial instruments are measured at fair value and are classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables or other liabilities. Held-to-maturity assets are carried at amortized cost with amortized premiums or discounts and other than temporary losses due to impairment included in net income. Held-for-trading assets and liabilities are carried at fair value with any gains or losses included in net income. Available-for-sale assets are carried at fair value with revaluation gains or losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, and other liabilities are accounted for at amortized cost using the effective interest method. Transaction costs are included in the initial carrying value of the financial instrument except for held-for-trading instruments in which case they are expensed as incurred.
Derivative financial instruments are used by the Corporation in the management of its financial exposures as deemed appropriate, and based on the risk management strategy of the Corporation. The Corporation's policy is not to use derivative financial instruments for trading or speculative purposes.

The Corporation, from time to time, is party to certain derivative financial instruments, principally forward foreign exchange contracts (used to manage foreign currency exposures).

The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For fair value hedges, changes in the fair value of the derivatives and corresponding changes in fair value of the hedged items attributed to the risk being hedged will be recognized in net income. For cash flow hedges, the effective portion of the changes in the fair values of the derivative instruments will be recorded in other comprehensive income until the hedged items are recognized in net income.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and underlying provision for bad debts, property, plant and equipment and underlying estimations of useful lives of depreciable assets, intangible assets, goodwill, and prepaid publishing costs and underlying estimates of future cash flows. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Notes to the Consolidated Financial Statements

Note 4 – Accounting policy developments

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan at the Holdco level. An external advisor has been engaged by Holdco to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable.

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for the subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The new section will become effective on January 1, 2009. The Corporation is currently evaluating the effect of the adoption of this new section on the consolidated financial statements.

Note 5 – Discontinued operations and assets held for sale

During the fourth quarter of 2008, the Corporation approved a plan whereby the operations of its wholly owned subsidiary DirectWest Canada, Inc. will be divested and the criteria for classification as a discontinued operation have been met.

As a result, the related results of operations of DirectWest Canada, Inc. have been presented as discontinued operations in the Consolidated Statements of Operations and Cash Flows and the related assets and liabilities have been reported as assets of discontinued operations and liabilities of discontinued operations in the Consolidated Statement of Financial Position for all periods presented.

The results of discontinued operations are as follows:

	2008	2007
	(Thousands of dollars)	
Revenues	$7,457	$5,651
Cost of sales	4,548	4,132
Operating expenses	4,751	4,495
Depreciation and amortization	273	359
Interest income	35	38
Non-controlling interest	-	13
Net loss from discontinued operations	$(2,080)	$(3,284)

Notes to the Consolidated Financial Statements

Note 5 – Discontinued operations and assets held for sale, continued

The assets held for sale and the related liabilities are as follows:

	2008	2007
	(Thousands of dollars)	
Assets		
Current assets		
Cash	**$1,134**	$752
Accounts receivable	**1,222**	995
Prepaid publishing costs and expenses	**4,261**	3,635
	6,617	5,382
Property, plant and equipment	**131**	187
Intangible assets	**954**	1,161
Goodwill	**281**	281
	1,366	1,629
	$7,983	$7,011
Liabilities		
Accounts payable and accrued liabilities	**$1,413**	$1,237
Deferred revenue	**1,023**	1,086
	$2,436	$2,323

The cash flows from discontinued operations are as follows:

	2008	2007
	(Thousands of dollars)	
Operating activities	**$(2,608)**	$(4,588)
Investing activities	**(10)**	(485)
	$(2,618)	$(5,073)

Note 6 – Cash and short-term investments

Short-term investments represent funds invested with Holdco at an interest rate of 2.00% (2007 – 4.34%).

Notes to the Consolidated Financial Statements

Note 7 – Property, plant and equipment

	Cost	Accumulated depreciation and amortization	Net book value	
			2008	2007
			(Thousands of dollars)	
Office furniture, equipment and leaseholds	$6,228	$5,464	$764	$930

Depreciation and amortization for the year totaled $407,511 (2007 - $606,296).

Note 8 – Long-term debt

The balance represents amounts due to Holdco which are unsecured and bear interest at the Holdco's average monthly borrowing rate of 1.55% (2007 – 3.85%), with no fixed repayment terms.

Note 9 – Share capital and contributed surplus, and additional capital disclosures

a) Share capital and contributed surplus

	2008	2007
	(Thousands of dollars)	
Share capital		
Authorized - unlimited number of class A common shares		
Issued – 100 shares	$-	$-
Contributed surplus	9,437	9,437
	$9,437	$9,437

b) Additional capital disclosures

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Corporation, and to ensure adequate returns to the shareholder.

The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation monitors capital on the basis of approved budgets and forecasts, and required funding for the Corporation.

The Corporation's strategy, which is to maintain sufficient cash for the continued development of targeted markets, is unchanged from 2007.

The Corporation is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

Note 10 – Commitments and contingencies

The Corporation is committed to future minimum payments under operating leases in each of the next five years as follows:

	(Thousands of dollars)
2009	407
2010	360
2011	328
2012	200
2013	-

In the normal course of operations, the Corporation may become involved in various claims and litigation. While the final outcome with respect to claims and litigation cannot be predicted with certainty, it is the opinion of management that any resolution would not have a material adverse effect on the Corporation's financial position or results of operations.

Note 11 – Non-monetary transactions

During the year the Corporation entered into non-monetary transactions to exchange advertising for various products and services. No gains or losses have been reported on these transactions. Gross revenue includes $52,566 (2007 - $18,175), operating expenses include $52,566 (2007 - $18,175), deferred revenue includes $2,372 (2007 - $3,355), and prepaid publishing costs include $2,372 (2007 - $3,355), of non-monetary transactions.

Note 12 – Additional financial information

a) Balance sheet

	2008	2007
	(Thousands of dollars)	
Accounts receivable		
Customer accounts receivable	$2,563	$2,173
Accrued receivables - customer	75	209
Allowance for doubtful accounts	(29)	(3)
	2,609	2,379
Other	29	39
	$2,638	$2,418

	2008	2007
	(Thousands of dollars)	
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	$527	$704
Payroll and other employee-related liabilities	645	657
Other	68	27
	$1,240	$1,388

Notes to the Consolidated Financial Statements

Note 12 – Additional financial information, continued

b) Supplementary cash flow information

	2008	2007
	(Thousands of dollars)	
Net change in non-cash working capital		
Accounts receivable	$(158)	$650
Inventory	90	(98)
Prepaid publishing costs	39	(405)
Prepaid expenses	(75)	(8)
Accounts payable and accrued liabilities	(147)	183
Deferred revenue	26	278
	$(225)	$600
Interest paid	$118	$118

Note 13 – Financial instruments

The Corporation's financial instruments include cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, short-term obligations and long-term debt, which by their nature are subject to risks.

a) Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following table represents the carrying amounts and fair values of financial assets and liabilities measured at fair value or amortized cost:

(Thousands of dollars)		2008		2007	
Financial Instruments	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and short-term investments					
Continuing operations	HFT	$5,418	$5,418	$4,176	$4,176
Cash from discontinued operations	HFT	1,134	1,134	752	752
Accounts receivable					
Continuing operations	LAR	2,638	2,638	2,418	2,418
Discontinued operations	LAR	1,222	1,222	995	995

Notes to the Consolidated Financial Statements

Note 13 – Financial instruments, continued

(Thousands of dollars)		2008		2007	
Financial Instruments	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities					
Accounts payable and accrued liabilities					
Continuing operations	OL	**$1,240**	**$1,240**	$1,388	$1,388
Discontinued operations	OL	**$1,413**	**$1,413**	$1,237	$1,237
Long-term debt – continuing operations	OL	**4,868**	**4,868**	4,868	4,868

[1] Classification details are:
HFT – held-for-trading
LAR – loans and receivables
OL – other liabilities

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of the Corporation's long-term debt are estimated based on quoted market prices for the issues or for similar issues.

b) Currency risk

The Corporation is exposed to currency risk primarily through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remained constant at December 31, 2008, only currency fluctuations in excess of 10% would have a material impact on budgeted net income. Specifically, a 10% weakening in the Canadian dollar versus US dollar exchange rate would have a 2.1% unfavourable effect on net income while a 10 % strengthening would have a 2.1% favourable effect on net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. At December 31, 2008, there were no derivative financial instruments outstanding.

c) Interest rate risk

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on short-term investments, short-term obligations and long-term debt. The most significant of these is interest rate risk related to the floating rate term debt and the issuance of long-term debt. However, assuming all other variables remained constant at December 31, 2008, a 10% (25 basis point) increase or decrease in interest rates would not have a material impact on net income.

Interest rate risk on short and long-term liabilities are managed based on the refinancing needs of the Corporation using derivative financial instruments when deemed appropriate.

The average effective interest rate on the Corporation's long-term debt was 1.55% as was the average interest rate on long-term debt.

d) Market risk

The Corporation is exposed to market risk on short-term investments. Fair value adjustments will fluctuate based on changes in market prices, however the fluctuations should not be significant due to the short term nature of the investments.

Notes to the Consolidated Financial Statements

Note 13 – Financial instruments, continued

e) Credit risk

The Corporation is exposed to credit risk through its short-term investments and accounts receivable. Credit risk related to short-term investments is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized because of the large and diverse customer base covering many business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary, in addition, pursuant to an agreement with Saskatchewan Telecommunications (SaskTel), the Corporation mitigates its credit risk from the Saskatchewan directories, by selling its receivables to SaskTel for a fee.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2008	2007
	(Thousands of dollars)	
Cash and short-term investments continuing operations	$5,418	$4,176
Cash from discontinued operations	1,134	752
Accounts receivable		
Continuing operations	2,638	2,418
Discontinued operations	1,222	995
	$10,412	$8,341

The aging of customer receivables, which indicates potential impairment losses, is as follows:

Continuing operations	2008	2007
	(Thousands of dollars)	
Current	$2,393	$1,949
30-60 days past billing date	75	107
61-90 days past billing date	46	42
Greater than 90 days past billing date	49	75
Total	$2,563	$2,173

Discontinued operations	2008	2007
	(Thousands of dollars)	
Current	$514	$295
30-60 days past billing date	334	299
61-90 days past billing date	173	104
Greater than 90 days past billing date	1,269	513
Total	$2,290	$1,211

Notes to the Consolidated Financial Statements

Note 13 – Financial instruments, continued

Provisions for credit losses are maintained and regularly reviewed by the Corporation, based on an analysis of the aging of customer accounts. Amounts are written off once reasonable collection efforts have been exhausted. Details of the allowance account are as follows:

Continuing operations	**2008**	2007
	(Thousands of dollars)	
Allowance for doubtful accounts, opening balance	**$3**	$4
Accounts written off	**(4)**	(7)
Recoveries	**-**	3
Provision for losses	**30**	3
Allowance for doubtful accounts, closing balance	**$29**	$3

Discontinued operations	**2008**	2007
	(Thousands of dollars)	
Allowance for doubtful accounts, opening balance	**$342**	$253
Accounts written off	**(239)**	(578)
Recoveries	**34**	135
Provision for losses	**957**	532
Allowance for doubtful accounts, closing balance	**$1,094**	$342

f) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments, all of which are due within two years of the respective year ends:

December 31, 2008

	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years
				(Thousands of dollars)	
Long-term debt	$4,868	$5,104	$59	$59	$4,986
Accounts payable and accrued liabilities					
Continuing operations	1,240	1,240	1,240	-	-
Discontinued operations	1,413	1,413	1,413	-	-
	$7,521	$7,757	$2,712	$59	$4,986

Notes to the Consolidated Financial Statements

Note 13 – Financial instruments, continued

December 31, 2007

	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years
				(Thousands of dollars)	
Long-term debt	$4,868	$5,104	$59	$59	$4,986
Accounts payable and accrued liabilities					
Continuing operations	1,388	1,388	1,388	-	-
Discontinued operations	1,237	1,237	1,237	-	-
	$7,493	$7,729	$2,684	$59	$4,986

Sufficient operating cash flows are expected to be generated to fund these contractual obligations. In addition, the Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows.

Note 14 – Related party transactions

Included in these financial statements are transactions with Holdco and its subsidiaries, various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at year-end are as follows:

	2008	2007
	(Thousands of dollars)	
Revenues	**$2,633**	$2,731
Operating expenses	**17,835**	17,020
Interest income	**105**	62
Interest expense	**118**	118
Accounts receivable	**2,159**	1,877
Property, plant and equipment	**11**	555
Accounts payable and accrued liabilities	**250**	113

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 15 – Comparative figures

Certain of the 2007 figures have been reclassified to conform to the current year's presentation.